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FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 3721
INFO RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 5866
RUEHBJ/AMEMBASSY BEIJING 3574
RUEHKO/AMEMBASSY TOKYO 3433
RUEHIT/AMCONSUL ISTANBUL 4108
RUCNDT/USMISSION USUN NEW YORK 1241
RHMCSSU/CDR USCENTCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 4070
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC

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STATE FOR SCE/CEN; EEB; NEA/IR
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SUBJECT: THE FEW FOREIGN BANKS IN TURKMENISTAN

ASHGABAT 00001428 001.2 OF 002

¶1. (U) Sensitive but Unclassified. Not for Public Internet.

¶2. (SBU) SUMMARY. Five foreign banks currently operate in Turkmenistan: Turkmen-Turkish Bank, National Bank of Pakistan, Saderat (Export) Bank of Iran, Deutsche Bank and Commerz Bank of Germany. Besides the two German banks, these banks mostly offer simple banking services to local and foreign customers. The German banks only offer banking insurance to foreign companies. To date, foreign banks in Turkmenistan are under strict national regulation and are often unable to offer services and products available in most countries. If Turkmenistan truly intends to portray itself as a player in global markets, it must reconsider its current policy toward foreign banks. END SUMMARY.

¶3. (SBU) The Turkmen Central Bank requires any new foreign bank to first provide evidence of five million USD in a basic capital fund before the bank can be registered by the government. All five foreign banks in the country have reportedly met this requirement. German Deutsche Bank and Commerz Bank are category "A" European banks, and both provide banking insurance to foreign companies operating in Turkmenistan; they do not currently provide traditional banking services. Turkmenistan limits operations of Iranian Saderat Bank as a non-compliant bank. The Saderat branch operates despite U.S. warnings of its involvement in providing support to terrorist activity.

¶4. (SBU) Recently, foreign banks were allowed to open corresponding accounts with non-Turkmen foreign banks directly; in the past foreign banks were required to complete all overseas transactions through a correspondent account with the Turkmen Central Bank operated by Deutsche Bank in Germany. Local foreign bank representatives stated this simple change has helped foreign banks immensely in Turkmenistan, but cautioned that the amount of effort and time required to have this one policy implemented does not bode well for future

policy changes.

TURKMEN-TURKISH BANK

¶15. (SBU) The Turkmen-Turkish Bank is a joint venture established in 1993 by the Turkish Zeerat (Agricultural) Bank and Turkmen Dayhan (Agricultural) Bank, to facilitate bilateral trade between Turkey and Turkmenistan. According to bank representatives, the Turkmen Central Bank appreciates the Turkmen-Turkish bank's strict obedience to local banking regulations and stressed that the bank operates in a "corruption free" environment, with rigorous compliance with Turkmen laws. The bank provides customary banking services and opens and holds corporate and private accounts in local and hard currency. The bank also owns and operates several currency exchange offices throughout the country. The bank's Turkish General Manager Gurbuz Gunduz added, however, that Zeerat bank might try to move independently into the Turkmen banking sector in the future.

NATIONAL BANK OF PAKISTAN BRANCH

¶16. (SBU) A branch of the National Bank of Pakistan (NBP) opened in Ashgabat in 1996. Bank officials stated the branch meets all local and national regulations in order to provide credit to private citizens and businesses, while offering foreign and local currency accounts. Due to the bank's relatively long period of operation in Turkmenistan, bank representatives boasted that most foreign companies prefer to have their accounts in NBP versus any of the other foreign banks in Ashgabat.

IRANIAN EXPORT BANK (SADERAT)

ASHGABAT 00001428 002.2 OF 002

¶17. (SBU) A branch of the Iranian Saderat (Export) Bank of Iran opened in 1993. Saderat Bank's operations are reportedly restricted by Turkmen authorities because Saderat did not provide the mandatory \$5 million basic capital fund. Nevertheless, the Bank serves multiple Iranian businesses in Turkmenistan. The Turkmen branch of Saderat Bank currently only works with its five branches in Dubai (UAE) and its branches in Iran. Saderat bank representatives acknowledged that global sanctions had stymied the Bank's plans for expansion.

DEUTSCHE BANK AND COMMERZ BANK

¶18. (SBU) The German banks Deutsche Bank and Commerz Bank both began operations in Turkmenistan in 2008. As the only European class "A" banks in Turkmenistan, Deutsche and Commerz offices mostly issue "European class A bank" guarantees to the foreign companies working with the Turkmen government. This lucrative activity reportedly earns them more than 10% of the secured amounts. The General Manager of the Turkmen-Turkish Bank explained that the German banks secure foreign projects with Turkmenistan through collateral and deposit accounts.

¶19. (SBU) COMMENT: Foreign bank representatives were careful to describe the Turkmen government's often intrusive banking regulations as necessary for combating corruption, while being careful not to hint at any criticism of Turkmen government policy. Although the three foreign banks that offer regular banking services stated business in Turkmenistan was going well, the market does not seem to be attracting additional competitors, due to the GOTX's tight control and ability to close any bank at any time for virtually any reason. In addition, the existence of few foreign banks in Turkmenistan reflects the GOTX's well-known policy of limiting the influence of foreign entities on Turkmenistan. END COMMENT.

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